



SAO Presentation at the Washington State Transportation Commission

May 23, 2006

Commission Board Room - First floor of the Transportation Building

PRESENTATION OBJECTIVES

General Overview - Four ESSB 6839 Performance Audits of the Department of Transportation

- Audit Stages and Expected Completion
- Specific Areas of Focus
- Original Performance Audit Objectives

AUDIT STAGES AND EXPECTED COMPLETION

WSDOT INVENTORY MANAGEMENT, MAINTENANCE AND CONSTRUCTION

- Field Work Completion – March 2007
- Draft Report to WSDOT (Estimate) – June 2007
- Draft Report to Transportation Commission (Estimate) – June 2007
- Publish Final Report (Estimate) – July 2007

WSDOT FERRY OPERATIONS

- Field Work Completion – April 2007
- Draft Report to WSDOT (Estimate) – June 2007
- Draft Report to Transportation Commission (Estimate) – June 2007
- Publish Final Report (Estimate) – July 2007

WSDOT ADMINISTRATIVE OPERATIONS

- Field Work Completion (Estimate) – May 2007
- Draft Report to WSDOT (Estimate) – June/July 2007
- Draft Report to Transportation Commission (Estimate) – July 2007
- Publish Final Report (Estimate) – July/August 2007

WSDOT HIGHWAY INVESTMENTS AND INFRASTRUCTURE UTILIZATIONS FOR REDUCING DELAY TIME AND INCREASING VEHICLE AND USER THROUGHPUT

- Field Work Completion (Estimate) – July/August 2007
- Draft Report to WSDOT (Estimate) – September 2007
- Draft Report to Transportation Commission (Estimate) – September 2007
- Publish Final Report (Estimate) – Early October 2007



SPECIFIC AREAS OF FOCUS

WSDOT Inventory Management, Maintenance and Construction

- Discussion

WSDOT Ferry Operations

- Discussion

WSDOT Administrative Operations

- Discussion

WSDOT Highway Investments and Infrastructure Utilizations for Reducing Delay Time and Increasing Vehicle and User Throughput

- Discussion

ORIGINAL PERFORMANCE AUDIT OBJECTIVES

WSDOT INVENTORY MANAGEMENT, MAINTENANCE AND CONSTRUCTION

The selected contractor will perform one performance audit, which will address the following four objectives:

1. *Is Washington State Department of Transportation's Consumable Inventory and Supply Management function meeting the operational needs of the department efficiently and effectively? If not, what is the effect and what actions and solutions can be implemented to correct these deficiencies? This audit does not cover consumable inventory related to Washington State Ferries.*
2. *Is the Washington State Department of Transportation's current procurement strategy for hot mix asphalt, used for road construction and maintenance, as well as current state legislation, effective in optimizing hot mix asphalt supply chain costs? If not, what is the magnitude of the possible cost savings for state and local governments and what can be done to achieve them?*
3. *Are the Washington State Department of Transportation's maintenance-operations as efficient as possible based on best practices identified at other state transportation agencies or the private sector? If not, what is the magnitude of the opportunity lost in terms of cost, and what can be done to correct it? Are DOT revenue opportunities from advertising and vending machines at rest areas maximized based on best practices at other state transportation agencies? If not, what is the magnitude of the opportunity lost in terms of revenue, and what can be done to correct it? This audit does not cover maintenance operations related to Washington State Ferries.*
4. *In the areas of highway project delivery and project management, is the Washington State Department of Transportation:*
 - *Effectively managing its highway projects in order to minimize engineering costs, environmental and permitting costs, other costs and unnecessary change orders that result in extra costs? If not, what is the magnitude of the opportunity lost in terms of cost, and what can be done to correct it?*



- *Effectively managing its highway projects in order to minimize unnecessary delays in project completion? If not, what is the magnitude of the opportunity lost including cost, and what can be done to correct it?*
- *Accurately, completely and effectively tracking costs by project, including but not limited:*
 - *Engineering?*
 - *Contractors?*
 - *Land acquisitions?*
 - *Archeological efforts?*
 - *Environmental compliance and permitting?*
 - *Any other direct project costs which should be captured and tracked at the project level?*

If not, how does the absence of this information affect WSDOT efficiency, effectiveness and decision making and what can be done to better track costs?

The scope of this fourth audit objective (all three bullets) shall address projects that have been completed during the most recent three years or categories of costs incurred during the most recent three years. When reviewing the second bullet of this fourth audit objective, the proposer shall address all aspects of project completion from the initial and internal project approval, to project design, to permitting and right away acquisitions, to the award process and onto the completion of project construction. This audit shall also examine the timeliness of any and all other project elements in between.



WSDOT FERRY OPERATIONS

The selected contractor will perform one performance audit of the Washington State Ferry System, which will identify:

- Opportunities to achieve cost savings
- Opportunities to eliminate or reduce services
- Opportunities to transfer services to the private sector
- Strategies for addressing gaps and overlaps or separating functions in programs or services
- Opportunities for pooling information technology systems
- Opportunities for changing or eliminating roles or functions
- Best practices and/or opportunities for improving performance data, performance measures and self-assessment systems
- Recommendations for changing statutes, rules and policy directives
- Best practices and/or opportunities to improve planning, budgeting, program evaluation and the accuracy, completeness and effectiveness of tracking and accounting for capital acquisition and refurbishment costs by project, including but not limited:
 - ✓ Engineering?
 - ✓ Contractors?
 - ✓ Archeological efforts?
 - ✓ Environmental compliance and permitting?
 - ✓ Any other direct project costs which should be captured and tracked at the project level?
- Best practices and/or opportunities for improving personnel systems operation and management
- Best practices and/or opportunities for improving purchasing operations and management policies and practices
- Opportunities for improving organizational structure and staffing levels, particularly in terms of the ratio of managers and supervisors to non-management personnel
- Opportunities for reducing capital project costs, including but not limited to capital acquisitions, construction and refurbishments, actual and future life-cycles for asset replacement and refurbishments, environmental mitigation, competitive bidding practices, permitting processes, and capital project management including change order management
- Opportunities for reducing capital maintenance and preservation costs
- Best practices or opportunities for improving efficiency, effectiveness and economy in:
 - ✓ Services
 - ✓ Operations
 - ✓ Fuel purchases
 - ✓ Risk management, including vessel safety
- Opportunities for improving revenue from operations



- Other best practices and/or opportunities for improving the economy, efficiency and effectiveness of Washington State Ferries' policies, management, financial and capital management and operations.

Based on opportunities, strategies and best practices identified, determine the impact on costs, revenues, vessel safety, decision making and level of services and what can be done to correct those impacts.



WSDOT ADMINISTRATIVE OPERATIONS

The selected contractor will perform one performance audit of Washington State Department of Transportation's administrative and overhead operations across its six regions and central office (the Transportation Building). Consistent with [Initiative 900](#) and Revised Code of Washington (RCW) [43.09.470](#) that audit will identify opportunities, strategies and best practices along with accompanying recommendations that:

- achieve cost savings*
- eliminate, reduce or enhance services*
- transfer services to the private sector*
- address gaps and overlaps in programs or services that can be corrected or streamlined*
- pool information technology systems*
- change or eliminate roles or functions*
- improve performance data, performance measures and self-assessment systems*
- change statutes, rules and policy directives*
- improve planning, budgeting, and program evaluation policies and practices*
- improve personnel systems operation and management*
- improve purchasing operations and management policies and practices*
- improve organizational structure and staffing levels, particularly in terms of the ratio of managers and supervisors to non-management personnel*
- improve efficiency, effectiveness and economy in all areas of administrative and overhead services or operations*
- improve revenue from operations*

Based on opportunities, strategies and best practices identified, determine the impact on cost or lost revenue and what can be done to reduce those costs or increase those revenues.

Information about the Performance Audit Objective

For purposes of conducting this audit, administrative costs are defined as general administration, supervision and other support services necessary for management, supervision, and administrative control of WSDOT. For purposes of conducting this audit, overhead costs are defined as indirect costs or operating costs incurred for common or joint purposes that benefit more than one WSDOT objective or unit and are not easily chargeable in a direct manner to individual projects or services.

For purposes of conducting this audit, WSDOT administrative and overhead operations shall include but are not necessarily limited to:

- Assistant secretaries, regional administrators, assistant or deputy regional administrators, directors, deputy directors and related support staff*
- The first and second levels of central office and regional office management and all related support staff*
- Transportation planners*
- Fiscal and financial services, including accounting, budgeting, purchasing, and internal audit*
- Information technology*
- Personnel or human resources*



- *Office supplies and equipment*
- *Building rent or lease expense*
- *Building, ground and facilities maintenance*
- *Management of surplus properties, including building rent or lease revenues*
- *Utilities*
- *Training*
- *Records management*
- *General clerical support*
- *General analytical and/or coordinating support/Research and policy analysis*
- *Legal services*
- *Public communications and information*
- *Minority affairs/Civil rights/Business partnerships/Small and disadvantaged businesses*
- *Mail and printing operations*
- *Other*

WSDOT HIGHWAY INVESTMENTS AND INFRASTRUCTURE UTILIZATIONS

Considering current and projected highway users over the next five years, how effective are DOT highway investments and infrastructure utilizations at:

1. *Reducing delay time for the greatest possible majority of highway users that pay the greatest percentage of highway construction, improvement and maintenance costs?*
2. *Maximizing vehicle throughput?*
3. *Maximizing highway user throughput?*

If not effective, determine the financial and non-financial costs over the next five years and what can be done to reduce them.